

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**WATER DIVISION  
Water Branch**

**RESOLUTION NO. W-4528  
April 21, 2005**

**RESOLUTION**

**(RES. W-4528), CALIFORNIA-AMERICAN WATER COMPANY (CAL-AM),  
LOS ANGELES DIVISION. ORDER AUTHORIZING AN OFFSET RATE  
INCREASE PRODUCING \$944,289 (5.38%) IN ADDITIONAL REVENUE  
FOR A PERIOD OF TWO YEARS FOR THE UNDERCOLLECTION OF ITS  
EXPENSE BALANCING ACCOUNT.**

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**SUMMARY**

By Advice Letter 580, filed March 21, 2003, Cal-Am seeks to increase its rates to generate additional gross annual revenue of \$944,289 or 5.38% in its Los Angeles Division for a period of two years from the date of this resolution to recover the undercollection of its Water Contamination Litigation balancing account. The increase in revenues will not result in a rate of return greater than the last authorized for Cal-Am.

**BACKGROUND**

Cal-Am requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to offset a \$944,289 undercollection in the Water Contamination Litigation balancing account over a period of two years. Cal-Am serves approximately 27,500 customers in the communities of Baldwin Hills Service Area consisting of Baldwin Hills, Windsor Hills, View Park, Ladera Heights, and vicinity, Duarte Service Area consisting of Bradbury, Duarte, portions of Irwindale, Monrovia, and vicinity, and San Marino Service Area consisting of San Marino, Rosemead, portions of San Gabriel, Temple City, and vicinity, Los Angeles County.

The present rates became effective on January 1, 2003, pursuant to Decision No. (D.) 01-03-012, which authorized a general rate increase.

## **DISCUSSION**

On March 26, 1998, Commission approved Res. W-4094 authorizing all water utilities to establish memorandum accounts to track water contamination litigation expenses and to recover reasonable expenses in a subsequent general rate case application. However, Ordering Paragraph No. 2 of D.02-12-055 in Rulemaking No. (R.) 01-12-009 ("Interim Order"), dated December 17, 2002, states:

"2. Utilities requesting recovery of existing balancing accounts prior to November 29, 2001 shall file, within 90 days from the effective date of this decision, advice letters requesting recovery pursuant to the existing balancing account procedures."

The offset increase requested herein is for the purpose of recovering in rates, the water contamination litigation expenses tracked in the Commission authorized memorandum account.

Based on Commission standard practice for amortizing balancing accounts, undercollections of between 5% and 10% of gross revenues will be amortized over a period of two years. As a result, the \$944,289 undercollection will require an additional surcharge of \$0.0492 per Ccf (one Ccf is equal to one hundred cubic feet).

## **NOTICE AND PROTESTS**

In compliance with Section III of General Order No. 96-A, Cal-Am has notified the entities on its mailing lists.

## **FINDINGS**

1. Water contamination litigation expenses were appropriately charged to the Commission authorized memorandum account.
2. Decision No. 02-12-055 in Rulemaking No. 01-12-009 ("Interim Order") orders utilities to request recovery for balances prior to November 29, 2001.
3. The total of the Water Contamination Litigation Expense Memorandum account as of November 29, 2001 was \$944,289 including accumulated interest.

**IT IS ORDERED that:**

1. California-American Water Company is authorized, five days after the effective date herein, to make effective revised Schedule No. LA-1 (continued), General Metered Service, attached to Advice Letter No. 580, and concurrently to cancel its presently effective rate Schedule No. LA-1, General Metered Service (continued).
2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on April 21, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
DIAN M. GRUENEICH  
Commissioners